

Message Text

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TO SECSTATE WASHDC IMMEDIATE 5271

S E C R E T MOSCOW 14313

NODIS

FROM ROBINSON

E.O. 11652 GDS

TAGS: ETRD, EEWT, UR, US

SUBJ: OIL/GRAIN NEGOTIATIONS

REF: A. MOSCOW 14290; B. MOSCOW 14252

1. AS A RESULT OF INTENSIVE NEGOTIATION SESSIONS TODAY WITH THE SOVIETS WE WERE SUCCESSFUL IN RESOLVING THE REMAINING ISSUES IN THE LONG-TERM GRAIN AGREEMENT.

A. WE ELIMINATED THE ORIGINAL CLAUSE 5A RELATING TO THE SOVIETS' RIGHT TO REDUCE PURCHASES UNDER CONDITIONS OF "GRAIN SURPLUS."

B. WE WERE SUCCESSFUL IN GAINING SOVIETS' ACCEPTANCE OF OUR RIGHT TO REDUCE GRAIN EXPORTS TO THE SOVIETS BELOW THE SIX MILLION TON MINIMUM WHEN TOTAL GRAIN SUPPLY IN THE U.S. FALLS BELOW 225 MILLION TONS.

C. ALTHOUGH WE HAD ANTICIPATED THE NEED TO GRANT THE SOVIETS A COUNTERBALANCING RIGHT TO TERMINATE THE AGREEMENT IN THE UNLIKELY EVENT THAT THE U.S. SHOULD TAKE THIS ACTION, IN THE END THIS WAS NOT NECESSARY.

2. THE COMPLETE TEXT OF THE GRAIN AGREEMENT AS NOW AGREED WAS REPORTED IN REFTEL A. I BELIEVE THIS AGREEMENT TO BE CONSISTENT WITH MY PRESENT INSTRUCTIONS AND THEREFORE REQUEST

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AUTHORITY TO INITIAL THIS AGREEMENT SUBJECT TO AN EXCHANGE

OF LETTERS IN FORM APPROVED BY THE USG ESTABLISHING OUR
MUTUAL INTENT TO CONCLUDE AN OIL AGREEMENT WITHIN 30 DAYS.

3. IT IS CLEAR THAT PATOLICHEV WILL WANT TO SIGN THE GRAIN
AGREEMENT HIMSELF AND AS SOON AS POSSIBLE, PRESUMABLY IN
MOSCOW. I PLAN TO DISCUSS VARIOUS ALTERNATIVES WITH HIM
TOMORROW BUT IN THE MEANTIME I WOULD APPRECIATE GUIDANCE.

4. PATOLICHEV REITERATED TODAY THE IMPORTANCE OF LIFTING
THE GRAIN EXPORT MORATORIUM "ON OCTOBER 15"; WE CLEARLY
HAVE AN IMPLIED COMMITMENT ON THIS AT LEAST TO THE EXTENT
OF FIVE MILLION TONS. (THIS ASSUMES THE OCTOBER 10 CROP
REPORT IS GENERALLY FAVORABLE AS EARLY ESTIMATES SEEM TO
INDICATE.)

5. WITH REGARD TO THE PRICING PROVISION OF THE OIL LETTER
OF INTENT, OUR VIEWS WERE SET FORTH IN REFTEL B. OUR
DISCUSSIONS TODAY FURTHER STRENGTHEN OUR CONVICTION THAT
ANY FURTHER EFFORT NOW TO ACHIEVE A SPECIFIC DISCOUNT
FROM MARKET PRICE THROUGH NEGOTIATIONS HERE WOULD BE
COUNTERPRODUCTIVE. THIS IS BASED ON THE LAST SESSION
WHICH AMBASSADOR STOESSEL AND I HAD WITH PATOLICHEV AND
KUZ'MIN THIS AFTERNOON IN WHICH PATOLICHEV MADE THE
FOLLOWING POINTS WHICH I CONSIDER RELEVANT TO THIS
ISSUE:

A. HE MADE CLEAR THAT THERE IS GROWING RESENTMENT
ON THE SOVIET SIDE TO WHAT THEY CONSIDER IMPROPER
U.S. PRESSURE BASED ON THEIR CURRENT EMERGENCY
GRAIN REQUIREMENTS. HE EMPHASIZED THAT CONTINUING
EFFORT ON OUR PART TO APPLY LEVERAGE WOULD BACKFIRE
IN THE LONG RUN.

B. ALTHOUGH HE SEEMED TO AGREE WITH MY VIEW THAT
THE GRAIN AND OIL AGREEMENTS COULD PROVIDE NEW
STRENGTH AND SUBSTANCE TO DETENTE, ON THE OTHER
HAND HE CLEARLY WARNED THAT FAILURE ON OUR PART TO
RECOGNIZE THE NEED FOR APPROPRIATE EQUALITY IN OUR
RELATIONSHIPS COULD BRING JUST THE OPPOSITE RESULT.

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6. THEIR RESISTANCE ON GRAIN HAVING CRUMBLLED, THE FULL
ACCEPTANCE OF OUR POSITION ON THE GRAIN AGREEMENT CREATES
A SITUATION WITHIN WHICH A FURTHER DEMAND FOR PRICE
DISCOUNT ON THE OIL LETTER OF INTENT COULD PRECIPITATE
AN EMOTIONAL NEGATIVE RESPONSE WITH ADVERSE CONSEQUENCES
TO OUR OVERALL INTERESTS. ACCORDINGLY, WE AGAIN REQUEST
AUTHORITY TO CONCLUDE THE OIL LETTER OF INTENT WITH THE
BEST PRICING FORMULA OBTAINABLE BUT ON TERMS NO LESS

FAVORABLE TO THE U.S. THAN PROPOSED REFTTEL B PARA 2D.
(THIS OF COURSE WOULD NOT PRECLUDE A SPECIAL PRICE UNDERSTANDING
THROUGH HIGHER CHANNELS.)

7. THIS ALL ASSUMES SATISFACTORY RESOLUTION OF THE U.S.-
USSR MARITIME AGREEMENT PROBLEM.
STOESSEL

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NNN

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